Local market research will give you the answers

Our specialists will contact potential clients and distributors in their region in order to gain a sense of the market for your products. They will also assess the competition and check aspects like custom regulations. We don't offer general information, but help you to find insights that you can make decisions on. We will answer questions such as:

- What is the local market size and market growth?
- What are trends in the market?
- What are the main distribution channels and market segments?
- What are your competitors and their market position?
- What is a competitive price for your products and services on the market?
- What segments of the markets are currently underserved?
- What would be recommendations for entering the market?

Past Countries for which research has been conducted:
USA, Japan, Australia, New Zealand, Singapore, UAE, Western Europe, Malaysia, Saudi Arabia, China, Taiwan, Russia, Kazakhstan, Kenya, Ghana, Turkey, Israel, Palestine, Jordan, Iran, Poland, Hungary, Romania, Greece, Tunisia, Brazil, Vietnam, India, Egypt..

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Getting your product in a supermarket or retail chain is for many Fast Moving Consumer Goods (FMCG) the most logical path to sales. But how to get your product in, especially abroad?

The point of view of a category manager

Most supermarket, pharmacy and other retail chains have category managers, who are responsible for the selection of products that the store offers. A catagory manager typically has:

- A potential opportunity to select products for the categories assigned among about 500.000 individual product varieties, or Stock Keeping Units (SKUs)
- She/he needs to select products for a store that can keep only 1.000/3.000 SKUs on the shelves for her/his assigned categories (4.000 small smkt - 10.000 medium - 40.000 large)
- A shopper buys an average of 400 SKUs per year.
- A basket in a single shopping trip is composed by 30 - 60 SKUs.

And a category manager knows that **only 1% of new products** launched in the market survive more than 1 year...

Do you research first

The easiest way to prepare is to visit a number of supermarkets first and have a look at your competition. If you want to be in there, another brand has to disappear. If you can suggest one, with good reasons, this will improve your chances. It also is important to think how you want to position your product, and what your suggested retail selling price will be.

Prepare your pitch and information

Any category manager will have a number of standard questions. So the better you have prepared the answers on the following questions, the more chance you have on success.

- What is your product's **USP** and how do you estimate the interest and **attractiveness** for shoppers/consumers? (preferably based on research or sales data)
- Which are values for shoppers/consumers **in comparison to (competitor) products** in the same or different categories?
- Is it a **substitute or complementary** product ?
- What is your suggested **retail selling price**? Why?
- What is **my expected margin**?

- Do I have your **promotional support** on price and/or in store communications, animation, etc.? How ? How much per year or which % on sales?
- Which **rotation do you expect** for this product in stores like mine?
- Did you plan **above the line advertisements**? How, where, when, budget?
- What is your **trade strategy**? (territories, channels, my competitors, exclusivity, retail price control?)

If you want to export your products

Selling your products in your home country is relatively easy, as you know the culture, the regulations and there is no time difference or large travel distances. If you export, you will also have to think of your logistics, complying to local regulations and how to handle complaints and returns abroad. Having a local agent or representative that can resolve operational problems for you is essential. This needs to be part of your marketing plan and of your pitch.

How to avoid or limit slotting fees or listing fees?

Retailers take a risk when placing your product on their shelves. This automatically means removing another product on which they currently make money. So if they have an interest in your product, they mostly want to share the risk of introducing it. This means that you will have to pay them for making room for your product. There are various names for this, but the most common are slotting fees or listing fees.

The better the sales data you have (for example from other countries or other supermarkets), the lower the risks, and in most cases also the lower the slotting fees will be. In order to build data, you can also suggest to do a trial first in a number of stores, before scaling up to all retail outlets in a country.

A last thing could be to compensate the retailer only if your product sells worse than the product it replaces on the shelves. In this case you compensate the missed margin, which is a good thing if you really believe in your product.

You only have one chance to make a first impression

If you want to target large retail chains, please bear in mind that you mostly will only have one opportunity to do so. Therefore it may be better to wait and prepare first, in stead of going unprepared. Or to start with a smaller retailer first, before going to the big ones.

Getting supermarkets, convenience stores and drugstores as you distributor

We all want our products in full sight at the shelves of any supermarket, convenience store, drugstore or department store. This will boost your sales and give your product the status it deserves. However, in order to get there, you will have to pay for it, and the better the position, the higher the fee.

What is a listing?

A **listing** is the introduction of a product/product line in the retail offer of a retail/foodservice company in a specific retail channel (offline or online), territory, store/s decided by a retail representative (Category Manager, Retail Manager, Store Manager, Buyer) after having received all information and deeply assessed the profit and sales potentiality.

What is a slotting fee (or listing fee)?

A **slotting fee** is the amount of money/fee required by the retailer, once she/he found potentiality for your product, to cover some direct costs (e.g. opening a supplier code, checking quality standards, list in the IT system,etc.) but mainly to cover the costs of space that is the most scarce/valuable resource for a retailer (both online and offline).

Slotting fees or listing fees, slotting allowances, pay-to-stay

These are all names for the fact that the supermarket or other retail outlet wants to optimise its shelf space. The specific metrics may vary, but the principe remains the same: its a way to share the risk/opportunity of a failure/success of a listing between the manufacturer and the retailer.

The point of view of a category manager

A category manager of a Retail Chain has:

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- She/he needs to select products for a store that can keep only 1.000/3.000 SKUs on the shelves for her/his assigned categories (4.000 small smkt - 10.000 medium - 40.000 large)
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To list a product means delisting another one

The space in a retail shop is limited. And it is already fully optimised. This means that if you want your product on the shelves, the category manager has to remove another one to make space. So he has to disappoint another manufacturer who has already paid a listing fee, but whose products do not sell enough.

Profitability for a retailer is rotation x margin

Retailers make money by selling your goods at a margin. The quantity of goods sold in a certain period is the rotation, and as a manufacturer you have to make credible that the rotation of your product will be high. The other aspect is margin: but mostly retailers set a fixed margin per product category, which may range from 20 to 50% for fast moving consumer goods.

The same applies for online sales: although there you list as many products as you want, online retailers won't do that. If the online customer has too much choice, he or she will find the website messy and perhaps even won't buy.

What is the business case for your product?

Of course you can try to negotiate with purchasing managers of retail chains. There are alternative ways of payment, like advertising in the supermarket's magazine or doing sampling in the supermarket. This will also help your sales. There are many parameters, and eventually you will have to keep in mind you business case: will you still be making money on your product?

Especially if you are based in a small or very competitive market, exporting makes sense. But are you getting the most out of your international activities? Five questions that can help you optimise your exports.

1. Are you in the right countries?

Countries differ in their stages of development. And depending on the spending power, people start buying certain goods and services. Up to a GPD per capita of 5,000 dollars most of the wallet is spent on food. From 6,000 dollars there is a market for for example refrigerators, from 20,000 dollars people start spending on recreation and culture. And at a certain moment functionality is not enough, and design and branding starts playing a role.

Country selection starts with knowing the drivers for your sales. Spending power can be one, ageing, internet penetration or urbanisation can be other factors. Presenting country data in a different way can show you which countries are the hidden gems, or which should be disregarded.

2. Do you know the market potential?

For each of the markets where you are active, do you know the market potential? Of course, you can buy reports for certain product categories, but what does that say about your specific segment? Do you know how your competitors are doing?

Researching the market potential and its growth is a necessity to decide whether you want to invest further in this market, or to enter another one. The market share per country should be mandatory in your sales manager's quarterly reports. The process of estimating the market size in itself already gives valuable insights.

3. Are your distributors or agents active enough?

Of course you are happy with all turnover that your agents or distributors generate, but can it be more? Some markets may be tougher than others, but eventually the sales results depend on the activity of your local partners. How much time and money do they spend on promoting your goods or services? Are they eager to do business development and increase their market share?

You'll only get a clear answer on these questions if there is an open discussion with somebody they trust. If that is not you or your export manager, then is makes sense to hire a local distribution specialist. He or she can also distinguish the real problems from the fake stories, and together with your business partner define and monitor a path for growth.

4. Can other distribution channels offer better margins?

You may be thinking: our contracts with our agents or distributors don't allow that. This may be the case, but still it is useful to explore new sales channels. In the long run you may be able to shift to other channels or find a way together with your current distributors to use them.

E-commerce can especially be useful for specialty products, the 'long tail'. When products are ordered at the source, your factory, you can customise the product itself or the packaging, thus adding value to the product. Your distributor's outlets can become pickup points.

5. Are your export managers still traveling around the world?

If you export to many countries, your export managers will be traveling a lot. Dividing their time over multiple countries is a necessity, as often it is not economical to hire a dedicated liaison for every country. However, this has two major disadvantages:

- Export managers may spend up to 30% of their time on travel, and travel costs make them expensive employees
- An export manager can never master the culture of each of the countries he is active in, and his limited presence makes doing business effectively difficult.

The alternative is to work with local, part-time country managers. With flexible forms of work, this option becomes available more and more. A part-time local country manager can be right on the business when necessary, and can travel once or twice per year to headquarters, in order to align with your other employees.

Can you enter a new market with your consumer product without any further budget? This really depends on your offering. Not every product sells itself.

Functional aspects versus design versus branding

The more unique your product is, the easier you will get it on the shelves. Proven functional effectiveness is the best. If you have a new blender that automatically separates the seeds from the rest of the fruits, then that's a clear advantage. Design is a bit more subjective, but outstanding modern design can be a real USP. Branding is the most difficult one. If you have a common product like cosmetics, food supplements, fruit juice, wine or packaged food then it will be hard to stand out from the rest, even if the product keeps you younger, healthier or more satisfied than any of its competitors. You first have to get your brand message across!

A high-end positioning costs money

The only reason why BMW, Louis Vuitton, Gucci and Clarins are seen as high quality and highly desirable, is their ongoing investments in commercials, advertisements, shop layout and event sponsoring. That's how they link their brand to associations like rich, successful or high quality. If you look at brand value with the Brand Asset Valuator Model of Young & Rubicam, you will see that *differentiation* and *knowledge* are important aspects.
Positioning your brand in a way that the brand is differentiating is quite hard. Testing out your brand positioning in your own market first is the best you can do. That's the market you understand and where you don't have to overcome language barriers. If you are not reasonably successful in your home market, then forget foreign markets for now.

Knowledge is the second aspect. Regardless of whether you will invest in it or you expect your distributor to pay, people won't learn about your product without advertising, sampling and in-store promotions. The bigger the country, the higher the investments.

Why would a distributor choose you?

Distributors like easy money, just as anybody else. Distributors have invested in their relationship with the client and want to capitalise on that. Products on the shelf are not for display, sales per meter of shelf is what counts. So if they can put a known brand on the shelves in stead of your 'starters' brand, they will likely do choose the known brand.

The only way you can convince a distributor in working with you is by showing that your product brings him more profit than others. If he sees you as 'just another brand' then you're lost. A typical purchasing manager of a distributor is not interested in the benefits of your product. You have to show that it already sells elsewhere, that your positioning is ok and that he hardly has to do anything.

A checklist before going any further

- Have you done your market research? Who are the competitors?
- What pricing do you suggest?
- Have you already translated your website in the local language?
- What promotions do you suggest?
- Who is going to pay for advertising?
- Do you have designs for the advertisements in the local language?

Finding a distributor is a profession and takes time

Finding a distributor is actually selling your product in big quantities. Only not to the end user, but to an intermediate. This requires different argumentation.

Purchasing managers of major distribution chains hide themselves. You can't find their phone numbers on the internet. They instruct their secretaries to scare you off and or ask you to send your offering by email and never respond. Eventually they will negotiate with you to make you lower your price or increase your investments in marketing.

Your import-export business: how to start?

If the market segment that you're in is saturated and overflooded with competitors, or if the buying power in your country is limited, it may be wise to look abroad. Other countries may have higher living standards, and more money to spend, or they are just developing and there are still market opportunities for your products.

Questions to ask for starting an import-export business

If your company is just starting with exports, then you should ask yourself the following questions first.

1. Is your product unique enough?
If you are selling commodities like unprocessed food products, plates, plain cloth, tyres or bolts, there is hardly any use to enter foreign markets on your own. You will face there the same price competition as in your home market, and you will make extra costs. If you think that you can stand out due to your lower production costs compared to e.g. Germany, please note that the companies further on in the value chain will absorb that advantage.

However, if your product stands out by its design, functionality or its sustainability, and you know that this can not easily be copied, then you can think of exporting it.

2. Do you have a clear website and product documentation?
International business is based on trust, because it is always difficult to enforce a contract in a foreign country. Therefore your potential clients should trust you. The best way to achieve this trust is to share information about your company, your manufacturing process, your products, your customer service. Make presentations with real pictures, include certificates and references as credentials and also make sure that your website has a modern format and is updated.

Please note that every culture has its own preferred way of communicating. Getting straight to the point with your sales pitch is not always seen as the way to start a conversation. Have a local person advise you.

3. Do you have enough time and money to invest?
If you expect that you can find an agent abroad who will sell you product purely on a commission basis, without any further support, then forget it. Just as the airline will charge you in advance, and not on basis of the success of your business trip, also other service providers will charge you for their advice, for setting up a

company, for arranging meetings. If you want to have your products in an established retail chain, it may even be that you will have to pay for the space you occupy on their shelves. So they shift their risks to you!

Every product needs marketing. For business-to-business, you may have to translate your product documentation in the local language and your agent or distributor needs printed copies or product samples. You may have to come over to train them and to invite them to see your facilities. Retailers will expect you to help with their marketing and financially contribute to advertisements in which they feature your product.

There are many ways to finance your exports, but one thing is for sure: you are the one that will have to invest and to take the risk!

Ways to enter the market

If you want to set up your distribution abroad, you have three main options: online, through distributors, or with direct sales.

Online

Online often seems to be the easiest option, but having your product on Amazon.com, Tmall or Lazada doesn't mean that it will sell. You will still have to promote it, either through paid advertising on these platforms, or by investing in a social media approach. The latter one will work better for a fashion product than for a thermo mug. However, even with little efforts there may already be some results.

With distributors or agents

A distributor will buy your product in large quantities and sell it to his clients. An agent sells on behalf of you and doesn't take ownership. The more unique your product is, the easier you will get it on the shelves or that somebody will really put an effort for selling your service.

Finding a distributor requires good preparation. Purchasers of major distribution chains get numerous offers a week for new products, so they will only spend a few minutes on your ideas. They will not be interested in placing and promoting your product if there is no guarantee that it will sell. So you will either need existing sales data from other countries, or a clear idea how you are going to co-promote your product. Finding an agent is often a bit more specialised work, since they don't advertise themselves.

With direct sales

The third way is to hire somebody locally to do your sales. This may be useful for highly customised products, like big technical systems. This doesn't need a full-time employee, you can also hire somebody to represent you on part-time basis.

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Export to Saudi Arabia: what are the main imports?

Saudi Arabia mainly has oil as its own resource. This means that many other goods have to be imported in the affluent country.

What does Saudi Arabia import?

- Machinery & Equipment
- Foodstuffs
- Chemicals
- Automobiles
- Textiles

Which are Saudi Arabia's favorite import partners? (percentage of total imports)

- China (13.3%)
- US (12.1%)
- India (8.3%)
- Germany (6.5%)
- South Korea (5.4%)
- Japan (4.9%)

What do we know about Saudi Arabian customers?

With a total population of 31 million, Saudi Arabia consists of Arabs, Afro-Asian and some immigrant communities. In fact, 30% of the total population of the country are immigrants. Saudi Arabia is a highly urbanised society with 83% of its people living in modern, developed areas. The latest recorded Gini Index for the nation in 2013 was 45.9 percent.

Which are Saudi Arabia's major container ports?

There are two main container ports that handle trade in Saudi Arabia:

- Jeddah
- Dammam

Which are Saudi Arabia's top cargo airports?

The following are Saudi Arabia's top airports with cargo handling terminals and facilities:

- King Fahd International Airport
- King Khalid International Airport
- King Abdulaziz International Airport

Saudi Arabia's custom regulations

Saudi Arabia is one of the strictest countries in the world regarding import regulations. To import into the nation one requires:

- A proof of origin of the product that is to be translated into Arabic and authenticated at the Saudi Arabian Chamber of Commerce

- 3 copies of a Customs Invoice (Saudi Arabian)
- Another invoice that mentions the country of origin, name of the one carrying the goods, description of goods or products, brand and number of items, total weight and value of the consignment
- A bill of lading
- For shipments, original insurance documents are required. These are to be translated into Arabic
- Saudi Arabian Standards Organisation Certificate of Conformity

Some rules may vary depending on your country of origin. Refer to professional guidance from export specialists for your particular needs

Tariffs and taxes

The standard tariff for goods entering Saudi Arabia is 5%. Certain protected industries which the Saudi Arabian government wishes to support levy 12% to 20% on related products. Apart from which, Saudi Arabia utilises the HS Harmonised Commodity Description and Coding System on all imported items.

Restricted Items

Certain items are either strictly restricted or then require special permission to bring into the country. Pork, weapons, alcohol and the like are banned while medicines, pesticides, military uniforms, and wireless technology requires special approval.

The distribution structure in Saudi Arabia

The Saudi Arabian government has provided a sound infrastructural set up with modernised roads, maritime and air freight systems, that ensure transportation within the nation is smooth and efficient. Distribution and sales of products are mainly focused in the West with Jeddah as its commercial centre, in the Central region where the capital Riyadh is located and then in the East, which is the oil and gas hub. To effectively tap these high potential areas, foreign players will benefit from appointing local distributors who either specialise in a particular line, industry or then are experts related to a targeted region.

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